

Message Text

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ACTION EB-03

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EO 11652: NA

TAGS: ENRG EIND KU

SUBJ: KUWAIT NATIONAL PETROLEUM COMPANY PROJECTS

1. KNPC MOVING FORWARD ON CERTAIN PROJECTS AND AS OF NOW APPEARS GOOD CHANCE US COMPANIES WILL BE INVOLVED IN ALL OF THEM. MOST IMPORTANT OF THOSE ABOUT READY TO MOVE FORWARD SOON IS PROJECT TO EXPAND PRESENT SHUAIBA REFINERY. THIS WILL INVOLVE ERECTING NEW HYDROCRACKING UNIT. WE UNDERSTAND THAT FOSTER-WHEELER, FLUOR AND MITSUBISHI SUBSIDIARY ARE LIKELY TO RECEIVE LETTER OF INQUIRY (I.E. INVITATION TO BID) BY END OF OCTOBER. KNPC WOULD LIKE TO BEGIN PROJECT BY FIRST OF YEAR. TOTAL COST ESTIMATED TO BE \$50-60 MILLION.

2. COMMENT: KNPC IS ALREADY BEING CRITICIZED FOR GOING DIRECTLY TO THE THREE COMPANIES, BUT THE COMPANY'S MANAGEMENT IS HOPING TO ELIMINATE AS MUCH RED TAPE AS POSSIBLE. BOTH FLUOR AND FOSTER-WHEELER WERE HEAVILY INVOLVED IN THE CONSTRUCTION OF THE EXISTING SHUAIBA REFINERY. INTERESTINGLY, KNPC HAS SPECIFIED AT LEAST WITH FOSTER-WHEELER THAT ANY DESIGN/ENGINEERING WORK BE DONE IN US AND NOT RPT NOT IN EUROPE.

3. MOBIL IS ADVISING KNPC REGARDING A SMALL BLENDING AND
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PACKAGING LUBE PLANT THAT PROBABLY WILL COST ABOUT \$5 MILLION.

US COMPANY'S ROLE MAY BE INCREASED AS PROJECT MOVES FORWARD. IN ADDITION KNPC SERIOUSLY CONSIDERING MORE AMBITIOUS LUBE OIL REFINERY FOR MAKING BASE OILS. COMPANY PRESENTLY THINKING ABOUT 30,000 TONS/YEAR \$20-40 MILLION PROJECT. PRESENTLY KNPC AND FOSTER-WHEELER DISCUSSING PROJECT, WHICH WILL BE DIRECTLY IN COMPETITION WITH SIMILAR PROJECT INVOLVING LUMMUS AND GROUP OF LOCAL BUSINESSMEN.

4. IN ADDITION TO THESE PROJECTS KNPC STILL LOOKING TOWARD CONSTRUCTION OF WHOLE NEW REFINERY. AT LEAST FLUOR AND BECHTEL OF US FIRMS HAVE BEEN IN CONTACT WITH KNPC ON THAT PROJECT. KNPC ALSO THINKING OF INSTALLING SECOND H-OIL UNIT BUILT BY HYDROCARBONS RESEARCH COMPANY AT SHUAIBA REFINERY.

5. COMMENT: KNPC CONTINUES TO PLAN VIGOROUSLY FOR FUTURE, BUT NOT YET COMPLETELY CLEAR HOW QUICKLY AND COMPLETELY NEW KUWAIT OIL GAS AND ENERGY COMPANY (KOGEC) WILL APPROVE PROJECTS. IN GENERAL, HOWEVER, WE THINK IT LIKELY THAT SHUAIBA REFINERY EXPANSION, NEW OIL REFINERY AND A LUBE PLANT WILL EVENTUALLY BE BUILT HERE. AS OF NOW US FIRMS, OFTEN IN COMPETITION WITH EACH OTHER, RATHER DEEPLY INVOLVED IN ALL OF THEM.
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